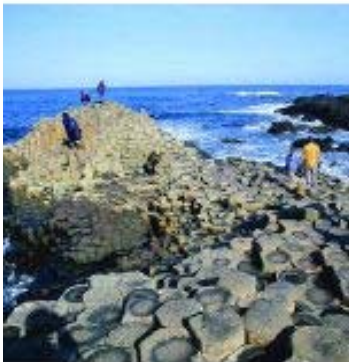




Annual Audit Letter

Issued by the Local Government Auditor



2014-15

To the Members of
North West Region Waste
Management Joint
Committee

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| Contents | Page |
|-----------------------------------|-------------|
| 1. Introduction | 3 |
| Summary of Audit Findings | 3 |
| 3. Governance | 4 |
| Annual Governance Statement | 4 |
| Internal Audit..... | 5 |
| Audit Committee | 5 |
| 4. Proper arrangements | 6 |
| 5. Other Audit Work..... | 7 |
| Absenteeism | 7 |
| 6. Other Matters of Interest..... | 7 |
| Local Government Reform | 7 |
| 7. Closing Remarks | 7 |

1. Introduction

I have been designated the Local Government Auditor for the North West Region Waste Management Group (NWRWMG) Joint Committee by the Department of the Environment with the consent of the Comptroller and Auditor General for Northern Ireland.

2. Financial Statements

Summary of Audit Findings

The NWRWMG Joint Committee must prepare its accounts in accordance with International Financial Reporting Standards (IFRS) as interpreted for Local Government in the 'The Code of Practice on Local Authority Accounting in the United Kingdom' 2014-15. This code sets out the accounting treatment and disclosures for all normal transactions of local authorities.

The financial statements were signed by the Chief Executive of the lead council, Derry City and Strabane District Council, and approved on behalf of the NWRWMG Joint Committee on 17 June 2015. This was within the statutory timeframe of 30 June. Following the audit, a number of material amendments and presentational adjustments were required and the accounts were revised and re-signed on 16 October 2015 and published on the website of the NWRWMG within the regulatory timeframe of 31 October.

For the year ended 31 March 2015 I gave the following unqualified opinion on the financial statements.

In my opinion

- the financial statements give a true and fair view, in accordance with relevant legal and statutory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15, of the financial position of the NWRWMG Joint Committee as at 31 March 2015 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 and the Department of the Environment directions issued there under.

On 12 November 2015 my staff issued a Report to those charged with Governance on the results of the audit, noting the most significant issues, making recommendations and seeking responses from management to address these issues. That report is presented separately to the Joint Committee and the Audit Committee of the NWRWMG.

Financial Performance

The Statement of Comprehensive Income and Expenditure of the NWRWMG Joint Committee shows that during the year ended 31 March 2015 the Joint Committee spent £234,135 on the provision of services. It also received income of £234,135.

The main items of expenditure were:

- Employee costs: £155,548

The main area of income was:

- Participating Councils: £234,135

At the year end, the NWRWMG Joint Committee was owed income of £53,247 from Participating Councils for costs incurred in administering the scheme.

At 31 March 2015 the NWRWMG Joint Committee had no usable reserves. It is fully funded by the Participating Councils.

3. Governance

The Good Governance Standard for Public Services¹ sets out the following key principles of good governance. Good governance means

- focusing on the organisation’s purpose and on outcomes for citizens and service users;
- performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- taking informed, transparent decisions and managing risk;
- developing the capacity and capability of the governing body to be effective; and
- engaging stakeholders and making accountability real.

Annual Governance Statement

The NWRWMG Joint Committee is required to conduct a review at least once in a financial year of the effectiveness of its governance framework (including its system of internal control) and to then approve an Annual Governance Statement².

I am required to report if the Annual Governance Statement

- does not reflect compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15;
- does not comply with proper practices specified by the Department of the Environment; or
- is misleading or inconsistent with other information I am aware of from my audit.

I have no inconsistencies to report as a result of my review of the Statement. While the Joint Committee noted no significant governance issues in its Governance Statement, it did note the following:

¹ The Good Governance Standard for Public Services, OPM and CIPFA, 2004

² Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 and DOE circular LG/04/08

The audit process both internal and external identified no areas of concern. The internal audit provided a substantial level of assurance. Risk management is nonetheless embedded across all of the activities of the Joint Committee and is a continuous and evolving process, which is monitored closely by the Risk and Audit Committee and Internal Audit. The Regional Infrastructure Project Risk Register has now been formally closed and risk is managed through the Corporate Risk Register for all of the activity of the NWRWMG Joint Committee. The risk register is regularly reviewed to ensure that risk is properly managed. Risk Management reports are presented to the Joint Committee and the Risk and Audit Committee.

In Common with all Councils in Northern Ireland, there is a continuing risk that the Councils of the Group could incur fines for non-achievement of Waste Management targets. With the abandonment of the Regional Waste Infrastructure Project in June 2014, the Councils of the Group have continued to take all appropriate measures to address this risk and to demonstrate that the Councils are making 'Best Endeavours' both individually and in collaboration with the NWRWMG to secure adequate waste treatment and to deliver appropriate waste contracts to assist Councils to meet targets and remain compliant and fulfil their statutory obligations.

The Councils of the Group have agreed that the Joint Committee will continue as a going concern and appropriate action will be taken to formally establish the Joint Committee comprising its new members under the Local Government Act (Northern Ireland) 2014, and hence permit the continuation of its work.

Internal Audit

The Local Government (Accounts and Audit) (Amendment) Regulations (NI) 2006 requires Councils to maintain an adequate and effective system of internal audit and to conduct a review at least once in a financial year of the effectiveness of its system of internal audit. The Joint Committee's internal audit service was provided by Derry City Council's in-house Internal Audit. A review of the effectiveness of the system of internal audit was carried out during 2014-15 by the Joint Committee and the findings of the review were considered by the Audit Committee.

Audit Committee

It is essential that Members exercise effective scrutiny of the internal control processes and procedures in place within the Joint Committee. One way that Members carry out this function is through the Audit Committee. The NWRWMG Joint Committee has an Audit and Risk Committee which met on a quarterly basis. The agenda items included:

- NIAO audit reports;
- Internal audit reports;
- Risk Register;
- Fraud; and
- Financial statements

4. Proper arrangements

Legislation requires me to be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources^[1].

My review of Joint Committee's arrangements for securing value for money can cover the following ten areas which are referred to in my Code of Audit Practice.

- a) **Financial Planning.** Planning finances effectively to deliver strategic priorities and secure sound financial health.
- b) **Financial Performance.** Having a sound understanding of costs and performance and achieving efficiencies in activities.
- c) **Financial Reporting.** Reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people.
- d) **Procurement.** Commissioning and procuring quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money.
- e) **Data to support decision making and manage performance.** Producing relevant and reliable data and information to support decision making and manage performance.
- f) **Good governance.** Promoting and demonstrating the principles and values of good governance.
- g) **Risk.** Managing risks and maintaining a sound system of internal control.
- h) **Natural Resources.** Making effective use of natural resources.
- i) **Asset Management.** Managing assets effectively to help deliver strategic priorities and service needs.
- j) **Workforce Management.** Planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

For 2014-15, I examined the areas of Financial Planning and Risk based on my risk assessment of the Joint Committee.

On the basis of my work I am satisfied that the Joint Committee had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources.

^[1] Local Government (Northern Ireland) Order 2005

5. Other Audit Work

Absenteeism

Employees within NWRWMG Joint Committee are employed by Derry City Council and are therefore included within the absenteeism figures of Derry City Council.

6. Other Matters of Interest

Local Government Reform

From 1 April 2015 North West Regional Waste Management Group Joint Committee has reformed and now comprises the councils of Derry City and Strabane District Council and Causeway Coast and Glens Borough Council. A review of the delivery of regional waste management is currently being undertaken by the Chief Executives of the New Councils and senior officials from the Department of the Environment. The new Joint Committee combines the previous Councils of Ballymoney, Coleraine, Derry, Limavady, Moyle and Strabane and the new body will be constituted under the framework established by the Local Government Act (Northern Ireland) 2014.

7. Closing Remarks

The letter is addressed to the Members of the Joint Committee and prepared for the sole use of the audited body. No responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party. The factual accuracy of this Audit Letter has been agreed with the Chief Executive of the lead council of the Joint Committee.

The Joint Committee has taken a positive and constructive approach to our audit. I would like to take this opportunity to express our appreciation for the lead council's assistance and co-operation. This letter will be presented to your Audit Committee by my staff and I have asked for copies to be sent to all Members.

Louise Mason

Local Government Auditor

10 December 2015